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MAY 1974

MARKETING & TRANSPORTATION Situation

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Item	Unit or base period	1973				1974
		Year	1st Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.
Farm-Retail Price Spreads: 1/						
Retail cost	Dol.	1537	1414	1604	1635	1720
Farm value	Dol.	700	625	779	722	777
Farm-retail spread	Dol.	837	789	825	913	743
Farmer's share of retail cost	Pct.	46	44	49	44	45
Retail Prices: 2/						
All goods and services (CPI)	1967=100	133.1	128.7	134.4	137.6	141.4
All food	1967=100	141.4	131.4	146.2	149.9	156.8
Food at home	1967=100	141.4	130.5	147.1	150.1	158.0
Food away from home	1967=100	141.4	134.9	142.8	149.4	152.6
Wholesale Prices: 2/						
Food 3/	1967=100	146.9	135.4	154.4	154.5	167.7
Cotton products	1967=100	143.6	128.1	148.3	160.6	172.7
Woolen products	1967=100	128.2	120.5	133.6	129.3	128.7
Agricultural Prices:						
Prices received by farmers	1967=100	172	151	190	183	199
Prices paid by farmers, interest, taxes and wage rates	1967=100	145	136	149	152	159
Prices of Marketing Inputs:						
Containers and packaging materials	1967=100	123	120	124	126	131
Fuel, power, and light	1967=100	139	131	139	151	181
Services 4/	1967=100	146	142	147	149	149
Hourly Earnings:						
Food marketing employees 5/	Dol.	3.66	3.60	3.67	3.75	-
Employees, private nonagricultural sector 2/	Dol.	3.89	3.78	3.93	4.00	4.04
Farmers' Marketings and Income:						
Physical volume of farm marketings	1967=100	112	100	105	151	-
Cash receipts from farm marketings 6/	Bil. dol.	83.4	72.4	84.5	101.2	103.0
Farmers' realized net income 6/	Bil. dol.	26.1	24.0	25.5	30.4	28.2
Industrial Production: 7/						
Food manufacturers	1967=100	122.7	121.7	122.8	124.1	125.8
Textile mill products	1967=100	127.3	126.2	129.4	130.2	-
Apparel products	1967=100	113.0	112.4	113.7	116.2	-
Tobacco products	1967=100	110.7	112.1	108.2	111.2	-
Retail Sales: 8/						
Food stores	Mil. dol.	105,872	25,316	27,084	27,593	28,814
Eating and drinking places	Mil. dol.	38,011	9,203	9,541	10,026	9,994
Apparel stores	Mil. dol.	24,086	6,136	6,037	6,076	6,291
Consumers' Per Capita Income and Expenditures: 9/						
Disposable personal income	Dol.	4,194	4,057	4,231	4,350	4,402
Expenditures for goods and services	Dol.	3,821	3,713	3,875	3,911	3,995
Expenditures for food	Dol.	661	634	672	686	709
Expenditures for food as percentage of disposable income	Pct.	15.7	15.6	15.9	15.8	16.1

1/ For a market basket of farm foods. 2/ Dept. of Labor. 3/ Processed foods, eggs, and fresh and dried fruits and vegetables. 4/ Includes such items as rent, property insurance and maintenance, and telephone. 5/ Average hourly earnings of production workers in food processing, and nonsupervisory workers in wholesale and retail food trades, calculated from Dept. of Labor data. 6/ Quarterly data seasonally adjusted at annual rates. 7/ Seasonally adjusted, Board of Governors of Federal Reserve System. 8/ Quarterly data seasonally adjusted, Dept. of Commerce. 9/ Seasonally adjusted annual rates, calculated from Dept. of Commerce data. Percentages have been calculated from total income and expenditure data.

MARKETING AND TRANSPORTATION SITUATION

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SUMMARY

Food price increases may slow considerably in coming months and prices may possibly show a modest decline late in the year if farm prices weaken further as expected. An easing of demand pressures, both foreign and domestic, and increased supplies of major farm-produced foods are expected to contribute to lower farm prices. Not all of these decreases will be passed on to consumers, however, because marketing firms are expected to increase their margins.

Operating costs of marketing firms will be rising, although uncertainty prevails as to the magnitude of cost increases for labor, energy, transportation, and other marketing inputs. But for the year the increase in the farm-retail spread may be more than double the 1973 increase of 6.5 percent.

The retail cost of a market basket of foods produced on U.S. farms averaged $1,720 (annual rate) in the first quarter of this year, up about 5 percent from the previous quarter. It has increased each month since last October and in January-March averaged 22 percent above the first quarter of last year. Retail prices for practically all farm foods rose significantly.

Gross returns to farmers (farm value of quantities of farm commodities equivalent to retail units) for market basket foods averaged $777 in the first quarter, up almost 8 percent from the preceding quarter and up 24 percent from a year earlier. Returns increased for most items over year-earlier levels with prices for cereal grains, oilseeds, milk and eggs increasing the most. Monthly returns peaked in February and dropped sharply in March. A further sharp drop occurred in April.

Farmers received an average of 45 cents of the dollar consumers spent in retail food stores for farm-produced foods in the first quarter of 1974. This share was 1 cent more than in both the previous quarter and the first quarter of last year. The share averaged 44 cents in March.

Farm-retail spreads continued to widen in the first quarter of 1974 as marketing firms reflected increased operating costs. The spread between the retail cost and the farm value of the farm-food market basket averaged $943 in the first quarter, about 3 percent more than in the previous quarter and almost 20 percent more than in the first quarter of 1973. The spread or gross margin for assembling, processing, transporting, and distributing the products in the market basket increased the most from year-earlier levels for meat products, poultry, eggs, bakery and cereal products, and fresh fruits and vegetables.

Retail Cost: Retail prices for foods produced on U.S. farms continued to push higher in the first quarter of 1974. Consumers paid and average of $1,720 (annual rate) for a market basket of farm-originated foods, 5.2 percent more than in the previous quarter (table 1).[1] Retail costs for most product groups rose, but increases for dairy products, eggs, bakery and cereal products, fresh vegetables, processed fruits and vegetables and fats and oils products were above the average. Retail prices for market basket foods rose each month during the first quarter and have trended upward each month since October. The 3.1 percent rise in February was the largest increase since prices jumped 8.1 percent in August following the lifting of price ceilings in July (table 2).

Compared with the first quarter of last year, the retail cost of market basket foods was up 22 percent. Retail prices were up significantly for most farm-produced foods except for a few salad vegetables and onions which were lower. Increases were largest for fats and oils products, bakery and cereal products, eggs, and dairy products. Price increases for individual products varied widely—dry beans were up 150 percent; rice, 100 percent; flour, almost 60 percent; margarine and potatoes, about 50 percent; and bread, eggs, milk and cheese around 30 percent (table 3). Prices for frozen orange juice concentrate were up the least, only 1 percent. Animal products accounted for 55 percent of the rise in the market basket from a year earlier. Of the crop products which accounted for the remainder of the rise, bakery and cereal and fats and oils products increased the most.

Farm Value: Returns to farmers for foods in the market basket averaged $777 (annual rate) in the first quarter, up $55 or 8 percent from the previous quarter. Increases were particularly sharp for milk, wheat, fresh vegetables, and oilseeds. After declining in November, farm values for market basket foods rose each month and peaked in February. They dropped sharply in March, partly in anticipation of the availability of larger supplies of key food items. A further sharp drop occurred in April.

The farm value of the market basket in the first quarter this year averaged 24 percent higher than a year earlier, and 85 percent above both 1967 and the level of 20 years ago.

Farm-Retail Spreads: The charge for marketing foods from U.S. farms continued to increase rapidly in the first quarter of 1974. The spread between the retail cost and farm value of the market basket averaged $943 (annual rate), 3.3 percent wider than in the previous quarter. Spreads increased for most product groups, but the increases were greatest for eggs, fresh vegetables, and processed fruits and vegetables. The marketing margin for fats and oils products decreased slightly.

Compared with a year earlier, margins taken by marketing firms were 20 percent larger. Spreads for meat products were up the most, or about a third higher, followed by fresh fruits, and poultry, with a 22-24 percent increase. At the lower end of the scale, farm-retail spreads for fats and oils products widened 7 percent.

Most of the increase in farm-retail spreads in the past 12 months occurred after price ceilings were lifted last July. Marketing spreads increased 25 percent from August 1973 to March 1974. Spreads have widened 42 percent since 1967, and 78 percent in the past 20 years.

Farmer's Share: Farmers received an average of 45 cents of each dollar spent in retail food stores in the first quarter of 1974 for a market basket of farm-produced foods. This was 1 cent more than in both the previous quarter and the first quarter of 1973.

Commodity Highlights

Beef: Retail prices for Choice beef averaged $1.45 per pound in the first quarter of 1974, up 10 cents from the previous quarter (table 4). This increase did not quite cover the increase at the farm level. The net farm value of the quantity of live cattle equivalent to the retail cuts increased almost 12 cents to 92.5 cents. As a result, the farm-retail spread for the quarter narrowed almost 2 cents.

Beef prices and margins were quite variable in the first quarter of this year. The truck strike, which was settled in mid-February, contributed much to price movements during the quarter. It disrupted both the flow of live cattle to market and the flow of beef from meat packers to retailers. Both the threat of the impending strike and the actual strike caused serious maladjustments in supplies, and prices jumped as marketing firms bid for the dwindling supplies. Farm values peaked in January, but then tailed off, falling sharply in March. In contrast, farm-retail spreads

[1]The market basket contains the average quantities of domestic, farm-originated food products purchased annually per household in 1960 and 1961 by wage-earners and clerical worker families and single workers living alone. Its retail cost is calculated from retail prices published by the Bureau of Labor Statistics. The retail cost of the market basket foods is less than the cost of all foods bought per household, since it does not include cost of meals in eating places, imported foods, seafoods or other foods not of U.S. farm origin. The farm value is the gross return to farmers for the farm products equivalent to foods in the market basket minus allowances for byproducts. It is based on prices at the first point of sale and may include some marketing charges incurred by farmers such as grading and packing for some commodities. The farm retail spread-difference between the retail cost and farm value-is an estimate of the total gross margin received by marketing firms for assembling, processing, transporting, and distributing the products in the market basket.

were squeezed sharply in January, but widened significantly in February and slightly in March. The carcass-retail component increased sharply from January to March. The retail price for Choice beef reached a record of $1.50 per pound in February, more than 8 cents higher than the average for either January or March.

Retail prices for Choice beef averaged 16 cents per pound higher in the first quarter of 1974 than a year earlier. The farm value was up 5 cents. Prices for Choice steers in 7 leading Midwestern markets and California (used in computing the gross farm value for Choice beef) averaged $45.28 per hundredweight in the first quarter, compared with $43.05 a year earlier. The farm-retail spread widened 11 cents. About two-thirds of the increase in this spread resulted from widening carcass-retail spreads (mainly charges for retailing, wholesaling, and transportation).

Pork: Farm-retail spreads for pork continued to increase in the first quarter of 1974 as returns to farmers for hogs decreased. The net farm value of the quantity of live hog equivalent to a pound of pork sold at retail averaged 66 cents, down about 6 cents from the previous quarter. The retail price of pork cuts averaged $1.15 per pound, down 1 cent. As a result, marketing margins widened 5 cents to an unprecedented level of 49 cents in the first quarter. All of this rise was in the wholesale-retail spread which includes the retailer's margin.

Marketing margins for pork have increased more rapidly than for beef when compared with a year earlier. Retail prices for pork cuts were up 17 percent while farm value increased 4 percent. In contrast, the farm-retail spread jumped 42 percent. All of this increase resulted from an 83 percent increase in the wholesale-retail segment. The farm-wholesale segment decreased slightly.

Dry Beans: Unusually strong demand and short supplies have created phenomenal price increases for dry beans at all market levels since last year. In the first quarter of this year, retail prices for dry beans (navy) averaged 66 cents per pound, up 40 cents from a year earlier. The farm value averaged 42 cents, 32 cents higher than a year ago. The farm-retail spread increased about 8 cents per pound over a year ago to 24 cents.

Rice: Rice, also in short supply and great demand, is costing consumers much more this year than last year. The retail price for long grain rice averaged 52 cents per pound in the first quarter of 1974, more than double the price of a year earlier. Farmers and marketing firms shared in this rise at retail. The farm value of rice (long and medium grain) was up 12.7 cents while marketing margins for rice increased 13.6 cents.

Potatoes: Potatoes, another food in tight supply, cost consumers considerably more in the first quarter of 1974 than a year earlier. Up 53 cents from a year earlier, retail prices for potatoes averaged $1.64 for 10 pounds. Returns to farmers rose 28.2 cents and marketing margins widened 24.5 cents.

Bread: The retail price of a 1-pound loaf of white bread was 34.0 cents in March, 1.5 cents above the February price (table 5). Prices in March this year averaged 8.6 cent per loaf or a third higher than a year ago. This is the largest 12-month increase on record, and equals the total increase in bread prices for the prior 19 year period.

Reflecting prospects of adequate wheat supplies and a substantial increase in 1974 wheat production, bread-type wheat prices dropped 59 cents a bushel at the farm in March from an all-time high in February. Prices declined further in April. Lower wheat prices resulted in a drop in the farm value of wheat in a loaf of bread from 6.9 cents in February to 5.9 cents in March.

As a result of the drop of 1.0 cent in ingredient costs and an increase of 1.5 cents in bread prices, the farm-retail spread increased 2.5 cents in March, or 11 percent. The baker-wholesaler's spread increased 2.4 cents to 16.1 cents, an all-time high. The retailer's spread increased 0.6 cent and the miller's 0.3 cent, while other marketing costs dropped 0.3 cent.

Outlook

The sharp rise in retail food prices this year may be about over. Increases in food prices are expected to slow considerably in coming months and prices will possibly decline slightly next fall as farm prices weaken. An easing of foreign and domestic demand and increased supplies of several major food commodities are expected to put downward pressure on farm prices this fall. However, all of the decrease in farm prices may not be reflected at retail because marketing margins for assembling, processing, transporting, and distributing U.S. farm foods are expected to gradually widen, reflecting rising operating costs incurred by food marketing firms and rising profit levels. Uncertainty prevails concerning the impact of the lifting of price controls and restraints on profit margins and concerning the magnitude of possible cost increases for labor, energy, transportation, and other items purchased by food marketing firms. But, for the year, the annual increase in farm-retail spreads may be more than double the 1973 increase of 6.5 percent. The average annual increase the past decade has been about 3 percent.

Table 1.--The market basket of farm foods by product group: Retail cost, farm value and farm-retail spread, first quarter 1974 with comparisons 1/.

Item	I 1974	Change from:			
		Previous quarter		Year ago	
	Dollars	Dollars	Percent	Dollars	Percent
	Retail cost				
Market basket	1720.02	85.37	5.2	306.19	21.7
Meat	560.36	12.71	2.3	82.46	17.3
Dairy	292.42	16.48	6.0	58.27	24.9
Poultry	72.30	2.97	4.3	12.40	20.7
Eggs	66.42	3.81	6.1	16.18	32.2
Bakery and cereal	259.45	16.05	6.6	63.72	32.6
Fresh fruits	68.61	-.09	-.1	7.99	13.2
Fresh vegetables	116.24	15.66	15.6	15.28	15.1
Processed fruits and vegetables	151.65	8.99	6.3	21.40	16.4
Fats and oils	63.65	4.30	7.2	19.10	42.9
Miscellaneous	68.92	4.49	7.0	9.39	15.8
	Farm value				
Market basket	777.04	55.06	7.6	151.62	24.2
Meat	326.52	5.36	1.7	22.79	7.5
Dairy	156.27	12.63	8.8	43.45	38.5
Poultry	39.97	1.99	5.2	6.06	17.9
Eggs	46.85	2.72	6.2	13.40	40.1
Bakery and cereal	71.70	11.93	20.0	33.77	89.0
Fresh fruits	20.12	-.31	-1.5	-.81	-3.9
Fresh vegetables	40.42	10.11	33.4	4.24	11.7
Processed fruits and vegetables	32.16	3.78	13.3	7.81	32.1
Fats and oils	29.24	5.08	21.0	16.84	135.8
Miscellaneous	13.79	1.77	14.7	4.07	41.9
	Farm-retail spread				
Market basket	942.98	30.31	3.3	154.57	19.6
Meat	233.84	7.35	3.2	59.67	34.3
Dairy	136.15	3.85	2.9	14.82	12.2
Poultry	32.33	.98	3.1	6.34	24.4
Eggs	19.57	1.09	5.9	2.78	16.6
Bakery and cereal	187.75	4.12	2.2	29.95	19.0
Fresh fruits	48.49	.22	.5	8.80	22.2
Fresh vegetables	75.82	5.55	7.9	11.04	17.0
Processed fruits and vegetables	119.49	5.21	4.6	13.59	12.8
Fats and oils	34.41	-.78	-2.2	2.26	7.0
Miscellaneous	55.13	2.72	5.2	5.32	10.7

1/ The market basket contains the average quantities of farm-originated foods purchased annually per household in 1960-61. Retail cost is calculated from U.S. average retail prices collected by the Bureau of Labor Statistics. Farm value is payment to farmer for equivalent quantities of farm products minus imputed value of byproducts obtained in processing. Quarterly data are annual rates. Additional data are shown in tables at the back of this report.

Table 2.--The market basket of farm food: Retail cost, farm value, farm-retail spread, and farmer's share of the retail cost 1/

Year and quarter	Retail cost	Farm value	Farm-retail spread	Farmer's share	Month	Retail cost	Farm value	Farm-retail spread	Farmer's share
	1967 = 100			Percent		1967 = 100			Percent
Average:					1972				
1947-49	82.9	106.9	67.7	50	January	117.8	120.7	115.9	40
1957-59	91.5	94.8	89.5	40	February	120.3	122.5	118.9	39
					March	120.4	120.3	120.4	39
1963	93.2	90.2	95.1	38	April	119.9	119.9	119.9	39
1964	93.4	90.0	95.5	37	May	119.8	122.1	118.3	40
1965	96.0	99.2	93.9	40	June	120.6	125.2	117.7	40
1966	101.1	106.3	97.8	41	July	122.2	128.9	118.0	41
1967	100.0	100.0	100.0	39	August	122.6	126.8	120.0	40
1968	103.6	105.3	102.5	39	September	122.6	129.5	118.2	41
1969	109.1	114.8	105.5	41	October	122.5	125.8	120.4	40
1970	113.7	114.1	113.4	39	November	123.1	126.3	121.0	40
1971	115.7	114.4	116.5	38	December	123.8	132.8	118.1	42
1972	121.3	125.1	118.9	40					
1973 2/	142.3	167.0	126.6	46	1973				
					January	127.2	142.3	117.7	43
1971					February	130.4	147.6	119.5	44
I	113.2	112.3	113.8	38	March	134.9	157.9	120.3	45
II	115.7	113.8	117.0	38	April	137.0	158.1	123.6	45
III	117.3	115.5	118.4	38	May	138.2	158.0	125.6	44
IV	116.7	116.1	116.9	39	June	140.4	166.4	123.9	46
					July	141.5	171.1	122.8	47
1972					August	153.0	205.8	119.5	52
I	119.5	121.2	118.4	39	September	150.7	180.8	131.6	47
II	120.1	122.4	118.6	40	October	149.9	174.4	134.4	45
III	122.5	128.4	118.7	41	November	151.2	168.9	140.0	43
IV	123.1	128.3	119.9	40	December	152.7	173.6	139.5	44
1973					1974 2/				
I	130.8	149.2	119.2	44	January	155.5	184.6	137.0	46
II	138.5	160.9	124.4	45	February	160.3	189.8	141.6	46
III	148.4	185.9	124.6	49	March	161.7	181.8	148.9	44
IV	151.3	172.0	138.2	44	April				
					May				
1974					June				
I	159.2	185.4	142.5	45	July				
II					August				
III					September				
IV					October				
					November				
					December				

1/ The market basket contains the average quantities of domestic, farm-originated food products purchased annually per household in 1960 and 1961 by wage-earners and clerical worker families and workers living alone. Its retail cost is calculated from retail prices published by the Bureau of Labor Statistics. The farm value is the gross return to farmers for the farm products equivalent to foods in the market basket. The farm-retail spread--difference between the retail cost and farm value--is an estimate of the total gross margin received by marketing firms for assembling, processing, transporting, and distributing the products in the market basket. Quarterly and monthly data are annual rates. Additional historical data are published in Farm-Retail Spreads for Food Products, Misc. Pub. 741, January 1972. 2/ Preliminary.

Table 3.--Changes in retail price, farm value, and farm-retail spread for selected market basket foods, first quarter 1974

Item	I 1974	Change from: Previous quarter	Change from: Year ago	I 1974	Change from: Previous quarter	Change from: Year ago
	Cents	Percent	Percent	Cents	Percent	Percent
	Butter, pound			Cheese, American, ½ pound		
Retail price	97.5	-5.0	11.4	72.6	9.7	28.7
Farm value	67.4	-3.3	18.2	39.0	8.3	50.6
Farm-retail spread	30.1	-8.5	-1.3	33.6	11.3	10.2
	Milk, sold in stores, ½ gallon			Chicken, frying, pound		
Retail price	77.5	6.3	26.0	58.4	5.6	17.0
Farm value	42.6	10.9	34.4	32.5	8.3	14.8
Farm-retail spread	34.9	1.2	17.1	25.9	2.4	19.9
	Eggs, large grade A, dozen			Corn flakes, 12 ounces		
Retail price	91.0	5.6	30.6	36.4	8.0	18.6
Farm value	64.2	5.8	38.4	4.5	12.5	87.5
Farm-retail spread	26.8	5.1	15.0	31.9	7.4	12.7
	Apples, pound			Oranges, dozen		
Retail price	32.2	7.3	26.3	104.7	-7.8	6.8
Farm value	10.9	-2.7	13.5	25.3	4.5	17.7
Farm-retail spread	21.3	13.3	34.0	79.4	-11.2	3.8
	Lettuce, head			Tomatoes, pound		
Retail price	34.2	1.5	-8.3	58.8	30.1	11.2
Farm value	11.0	27.9	-12.0	20.6	17.7	-2.4
Farm-retail spread	23.2	-7.6	-6.5	38.2	37.9	20.1
	Orange juice, frozen, 6 oz. can			Margarine, pound		
Retail price	25.3	.8	.8	48.5	8.3	48.3
Farm value	9.1	8.3	-3.2	22.6	21.5	153.9
Farm-retail spread	16.2	-3.0	3.2	25.9	-1.1	8.8
	Potatoes, 10 pounds			Peas, frozen, 10 ounces		
Retail price	163.9	26.5	47.4	25.1	2.9	7.7
Farm value	63.0	84.2	81.0	4.2	0	10.5
Farm-retail spread	100.9	5.8	32.1	20.9	3.5	7.2

1/ Data for additional foods are shown in tables at back of this report.

Table 4.--Beef, pork, and lamb: Retail price, carcass value, farm value, farm-retail spread, and farmer's share of retail price, annual 1970-73, quarterly 1973-74

Date	Retail price per pound 1/	Carcass value 2/	Gross farm value 3/	Byproduct allowance 4/	Net farm value 5/	Farm-retail spread			Farmer's share
						Total	Carcass-retail	Farm-carcass	
	Cents								Percent
Beef, Choice grade									
1970	98.6	68.3	66.3	4.8	61.5	37.1	30.3	6.8	62
1971	104.3	75.6	72.4	4.5	67.9	36.4	28.7	7.7	65
1972	113.8	80.0	79.9	7.4	72.5	41.3	33.8	7.5	64
1973	135.5	6/ 98.1	100.2	10.1	90.1	45.4	37.4	8.0	66
1973									
Jan.-Mar.	129.2	95.0	96.8	9.4	87.4	41.8	34.2	7.6	68
Apr.-June	135.8	100.0	102.9	10.0	92.9	42.9	35.8	7.1	68
July-Sept.	141.8	6/105.4	110.6	11.6	99.0	42.8	36.4	6.4	70
Oct.-Dec.	135.1	92.0	90.4	9.5	80.9	54.2	43.1	11.1	60
1974									
Jan.-Mar.	145.1	103.6	101.9	9.4	92.5	52.6	41.5	11.1	64
Apr.-June									
July-Sept.									
Oct.-Dec.									
Pork									
1970	78.0	58.7	42.9	3.4	39.5	38.5	19.3	19.2	51
1971	70.3	52.1	35.0	2.7	32.3	38.0	18.2	19.8	46
1972	83.2	65.2	51.4	3.5	47.9	35.3	18.0	17.3	54
1973	109.8	87.1	78.6	6.8	71.8	38.0	22.7	15.3	65
1973									
Jan.-Mar.	98.1	79.9	68.6	4.9	63.7	34.4	18.2	16.2	65
Apr.-June	103.1	79.3	71.0	6.1	64.9	38.2	23.8	14.4	63
July-Sept.	121.8	101.5	95.0	8.8	86.2	35.6	20.3	15.3	71
Oct.-Dec.	116.1	87.7	79.7	7.6	72.1	44.0	28.4	15.6	62
1974									
Jan.-Mar.	115.2	81.8	74.1	7.8	66.3	48.9	33.4	15.5	58
Apr.-June									
July-Sept.									
Oct.-Dec.									
Lamb, Choice grade									
1970	105.5	73.8	65.1	6.4	58.7	46.8	31.7	15.1	56
1971	109.9	75.1	63.1	5.9	57.2	52.7	34.8	17.9	52
1972	118.3	79.7	70.5	7.5	63.0	55.3	38.6	16.7	53
1973	134.3	91.2	86.6	12.9	73.7	60.6	43.1	17.5	55
1973									
Jan.-Mar.	130.6	89.3	87.3	12.8	74.5	56.1	41.3	14.8	57
Apr.-June	134.0	89.5	85.4	13.4	72.0	62.0	44.5	17.5	54
July-Sept.	139.7	98.9	91.0	13.0	78.0	61.7	40.8	20.9	56
Oct.-Dec.	132.7	87.0	82.9	12.6	70.3	62.4	45.7	16.7	53
1974									
Jan.-Mar.	136.3	102.0	93.4	12.5	80.7	55.6	34.3	21.3	59
Apr.-June									
July-Sept.									
Oct.-Dec.									

1/ Estimated weighted average price of retail cuts. 2/For quantity equivalent to 1 lb. of retail cuts: Beef: 1.41 lb of carcass beef; pork, 1.07 lb. of wholesale cuts; lamb, 1.18 lb. of carcass lamb. 3/Payment to farmer for quantity of live animal equivalent to 1 lb. of retail cuts: Beef, 2.28 lb.; pork, 1.97 lb.; lamb, quantity varies by months from 2.42 lb. in May to 2.48 lb. in October. 4/ Portion of gross farm value attributed to edible and inedible byproducts. 5/Gross farm value minus byproduct allowance. 6/ Includes estimated carcass value for August 1973. See note in MTS 192.

TABLE 5. --WHITE PAN BREAD: ESTIMATED RETAIL AND WHOLESALE PRICE OF A 1-POUND LOAF; RETAILER'S, WHOLESALER'S, MILLER'S AND OTHER SPREADS; FARM VALUE OF INGREDIENTS; FLOUR AND WHEAT PRICES AND RELATED DATA, QUARTERLY 1973, MONTHLY AND FIRST QUARTER, 1974.

ITEM	UNIT	1973				1974			
		I	II	III	IV	JAN.	FEB.	MARCH	I
RETAIL PRICE 1/	CENTS PER LOAF	25.1	26.2	27.7	31.3	31.9	32.5	34.0	32.8
RETAIL SPREAD 2/	"	4.7	5.3	5.3	6.2	5.6	5.6	6.2	5.8
WHOLESALE PRICE 3/	"	20.4	20.8	22.4	25.2	26.3	26.9	27.8	27.0
BAKER-WHOLESALER SPREAD 4/	"	13.4	13.5	13.6	15.4	15.4	14.7	16.1	15.4
COST TO BAKER									
ALL INGREDIENTS 5/	"	7.0	7.4	8.8	9.7	10.9	12.2	11.7	11.6
FLOUR 6/	"	4.8	4.9	6.1	7.0	8.1	8.8	8.3	8.4
MILL SALES VALUE OF FLOUR 6/	"	4.5	4.7	5.9	6.7	7.8	8.5	8.0	8.1
MILLER'S FLOUR SPREAD 7/	"	0.9	0.7	1.0	1.3	1.1	1.3	1.6	1.3
COST OF WHEAT TO MILLER 8/	"	3.6	4.0	4.9	5.4	6.7	7.2	6.4	6.8
OTHER SPREADS 9/	"	1.5	1.9	1.9	1.8	1.6	2.1	2.3	2.0
FARM VALUE *									
ALL INGREDIENTS 10/	"	4.6	4.8	5.9	6.6	8.2	8.8	7.8	8.3
WHEAT 11/	"	3.4	3.6	4.5	5.1	6.4	6.9	5.9	6.4
FLOUR PRICES 12/ *									
F.O.B. MILL	DOL. PER CWT.	7.13	7.37	9.28	10.59	12.34	13.34	12.56	12.75
DELIVERED TO BAKERS	"	7.52	7.81	9.72	11.03	12.80	13.93	13.16	13.30
FLOUR SALES 12/									
SOLD IN BAGS	PERCENT	19.	21.	13.	19.	14.	20.	23.	19.
PRICE DIFFERENTIAL FOR BAGS	CENTS PER CWT.	17.	18.	18.	22.	24.	23.	22.	23.
WHEAT PRICES *									
FARM DELIVERY POINT 13/	DOL. PER BU.	2.83	2.93	3.66	4.21	5.13	5.34	4.75	5.07
DELIVERED TO MILLERS 14/	"	3.00	3.23	3.98	4.46	5.36	5.58	5.12	5.35

1/ BASED ON PRICES REPORTED BY BUREAU OF LABOR STATISTICS.
2/ SPREAD BETWEEN RETAIL AND WHOLESALE PRICES. THIS SPREAD IS COMPUTED FROM UNROUNDED DATA AND MAY NOT REFLECT THE DIFFERENCE BETWEEN PRICES AS ROUNDED.
3/ ESTIMATED FROM BLS PRICES AND TRADE DATA.
4/ SPREAD BETWEEN WHOLESALE PRICE AND COST TO BAKER OF ALL INGREDIENTS. THIS SPREAD IS COMPUTED FROM UNROUNDED DATA AND MAY NOT REFLECT THE DIFFERENCE BETWEEN PRICE AND COST DATA AS ROUNDED.
5/ COST OF FLOUR PLUS SHORTENING, NONFAT DRY MILK, SUGAR AND OTHER MINOR NONFARM PRODUCED INGREDIENTS.
6/ COST OR SALES VALUE OF FLOUR (0.6329 LB.) USED PER POUND OF BREAD.
7/ SPREAD BETWEEN MILL SALES VALUE OF FLOUR AND COST OF WHEAT TO MILLER. THIS SPREAD IS COMPUTED FROM UNROUNDED DATA AND MAY NOT REFLECT THE DIFFERENCE BETWEEN MILL SALES VALUE AND COST AS ROUNDED.
8/ COST OF WHEAT (.01445 BU.) INCLUDING MARKETING CERTIFICATE.
9/ CHARGES FOR TRANSPORTING, HANDLING, STORING ALL INGREDIENTS, FOR PROCESSING INGREDIENTS OTHER THAN FLOUR AND COST OF NONFARM PRODUCED INGREDIENTS SUCH AS YEAST, SALT, AND MALT EXTRACT. THIS SPREAD IS A RESIDUAL FIGURE COMPUTED FROM DATA AS ROUNDED.
10/ RETURNS TO FARMERS FOR WHEAT, INCLUDING AN ALLOWANCE FOR THE MARKETING CERTIFICATE, LARD, SHORTENING, NONFAT DRY MILK, AND SUGAR USED IN A 1-POUND LOAF.
11/ RETURNS TO FARMERS FOR WHEAT, INCLUDING THE CERTIFICATE, LESS IMPUTED VALUE OF MILLFEED BYPRODUCTS.
12/ BASED ON MONTHLY SALES AND PRICES OF BREAD-TYPE FLOUR REPORTED BY A SAMPLE OF FLOUR MILLING FIRMS.
13/ WEIGHTED AVERAGE FOR HARD WINTER AND SPRING WHEAT IN THE 10 MAJOR WHEAT PRODUCING STATES; INCLUDES ALLOWANCE FOR MARKETING CERTIFICATE.
14/ INCLUDES ALLOWANCE FOR MARKETING CERTIFICATE.

* WHEAT AND FLOUR PRICES DO NOT INCLUDE ALLOWANCE FOR MARKETING CERTIFICATE SINCE JULY 1, 1973, EFFECTIVE DATE OF REPEAL.

COMMODITY ECONOMICS DIVISION, ERS

COMPONENTS OF MARGINS FOR SELECTED FOODS[1]

National Economic Analysis Division
and Commodity Economics Division

Food prices in 1973 rose at the most rapid rate in over a quarter century, reflecting strong domestic and foreign demand and reduced food supplies. Consumers spent an estimated $134 billion for food originating on U.S. farms, $18 billion more than in 1972. The retail cost of a market basket of farm foods averaged 17 percent higher than in 1972. The retail cost of all food groups rose, with animal-related products leading the way.

Accelerated inflation over the past couple of years, with concurrent rapid increases in food prices, focused public interest on food prices in general and on specific cost and profit components of marketing margins in particular. There were questions raised that the existing price spread series could not answer, including the identification of major contributors to the price increases.

In response to the need for more detailed information on margins, a special ERS task force was established to plan and coordinate a project that consisted of studies of margins at each level of marketing: Processing, transportation and wholesaling, and retailing. Commodity specialists in the Commodity Economics Division of ERS had major responsibility for developing estimates of cost and profit components of margins from the farm through the wholesale level. Researchers in the National Economic Analysis Division of ERS undertook the studies of margins at the retail level. This project represented the first comprehensive study of the components of margins since the 1964 study by the National Commission on Food Marketing.

Estimates of 12 components of margins at various levels of marketing were made for 19 leading farm food items purchased by consumers in retail food stores. The retail prices of these foods, broken down among the aggregate costs of marketing functions and farm value, are shown in table 6. For each food item, margins at each marketing level were allocated to the extent possible into the following components: Labor, packaging, transportation, business taxes, depreciation, rent, energy, interest, advertising, repairs, other costs, and profits before taxes. Components of margins are shown in tables published in the complete report, which also contains a description of methodology, sources of data, and limitations of the estimates.[1]

In developing data on cost and profit components for most items, secondary sources provide most of the data used. Primary information was obtained from only a small sampling of firms because of the large number of items and types of marketing agencies to be studied, and many marketing firms did not have records available in as much detail as desired. Therefore, the estimates are considered approximations for the cases studied rather than industry averages. Additional work is needed to further develop data sources and procedures for allocating margins into cost and profit components.

Margin And Cost Estimates

Costs and margins for different products vary widely. This was expected since products differ in form and composition, and require different handling and processing methods.

Processing or packing costs, depending on the item, are less than a fifth of the retail price for 11 out of the 19 items studied, including the meat and dairy items, broilers, eggs, and fresh oranges, apples, potatoes, and lettuce. In contrast, processing costs are around half of the retail price of applesauce, french fries, and catsup.

Labor is the largest component of the processing margin for most products, followed by packaging costs. For several processed products, packaging costs are significantly greater than labor costs. These two costs together account for half to two-thirds of the processing margin for nearly all of the items studied. Most other cost components of processing margins—such as business taxes, rent, and repairs—each account for around 5 percent of the margin. Energy costs are around 2 to 4 percent of processing margins.

Intercity transportation costs from the processing or packing plant to either a wholesaler or retail store vary widely among items, reflecting differences in perishability, bulkiness, and the distance food products are shipped. Costs of shipping meat, dairy items, broilers, and eggs, which are of high value in relation to volume, account for only 2 to 3 percent of the retail selling price. On the other hand, shipping costs for the fresh fruits and vegetables are 10 percent or more of the retail price.

Retail store margins for the 19 items range between 10 and 43 percent of the retail selling price but are clustered around 20 percent. Labor is by far the largest cost component of retail store margins. For 15

[1]This material is abstracted from "Developments in Marketing Spreads for Agricultural Products in 1973" ERS-14 (1974), a report that can be obtained on request from the Economic Research Service, Division of Information, Room 0054, U.S. Department of Agriculture, Washington, D.C. 20250.

Table 6.--Distribution of retail price according to farm value and marketing function, 19 farm food products, 1972

Food item	Farm value 1/	Marketing functions					Retail price
		Assembly and procurement	Processing	Intercity transportation	Wholesaling	Retailing 2/	
	Cents						
Beef, Choice (pound)	72.5	1.3	5.3	0.9	8.0	25.8	113.8
Pork, (pound)	47.9	1.5	14.9	.9	2.0	16.0	83.2
Milk, sold in stores (½ gallon)	29.4	2.2	9.9	3/	11.8	6.5	59.8
Butter (pound)	63.8	2.3	5.5	1.3	2.5	11.7	87.1
Broilers (pound)	20.1	1.3	6.3	1.6	3.7	8.4	41.4
Eggs, grade A or AA large (doz.)	29.9	.8	7.6	1.6	1.8	10.7	52.4
Apples (3-pound bag)	27.3	2.5	14.9	5.6	6.3	23.5	80.1
Oranges, California (dozen)	32.1	1.5	16.7	10.3	9.3	52.1	122.0
Tomatoes, Florida (pound)	13.4	.5	4.9	3.0	11.5	17.2	50.5
Lettuce, California (head)	3.7	.3	6.0	6.1	9.7	17.2	43.0
Potatoes (10-pound bag)	38.6	4/	18.0	12.3	9.1	35.4	113.4
Applesauce (303 can)	5.5	.3	10.6	.9	1.8	5.4	24.5
Orange juice, single strength (46-ounce can)	12.8	.9	18.3	6.7	5/	9.6	49.3
Orange juice, frozen concentrate (6-ounce can)	8.2	.5	6.5	1.1	3.2	5.5	25.0
Tomatoes, Calif. whole (303 can)	2.3	.5	13.7	2.2	.8	4.2	23.7
Tomato catsup, California (14-ounce bottle)	5.3	.7	13.2	2.8	3.3	5.1	30.4
Potatoes, frozen french fried (9-ounce package)	3.1	4/	8.4	1.0	.3	4.1	16.9
Bread, white (1 pound)	2.8	.4	6/ 7.6	7/ .3	8/ 9.0	4.6	24.7
Rice, long grain (1-pound pkg.)	9.4	4/	1.7	1.2	9/ 7.6	4.1	24.0

1/ The farm value is the gross return to farmers for the quantity of farm products equivalent to the unit sold at retail minus imputed value of byproducts. Because of losses from processing, waste, and spoilage the farm value represents larger quantities than the retail unit. 2/In-store costs only. Headquarters expense, warehousing, etc., included in wholesaling. 3/ Included in wholesaling. 4/Included in farm value. 5/Implicitly included in costs of other functions. 6/Flour milling and bread baking. 7/ Flour only. 8/ Includes bakers' wholesaling and delivery costs. 9/ Includes packaging.

of the 19 items, labor cost makes up from 50 to 60 percent of the store margin. Packaging costs are around 10 percent of the retail store margins for beef and pork but are negligible for other products which in most instances are packaged when they arrive at the store. Most other cost components of retail store margins are around 5 percent or less of the total margin. Retail margins and cost components were estimated based on typical supermarket operations. Gross margins for major departments, which were used to control the allocation of total store costs and profit to individual items, are shown in table 7.

Table 7.--Estimated in-store gross margins, costs, and profits of supermarkets, by major departments, 1972 1/

Item	Meat	Produce	Dry grocery	Dairy 2/	Frozen foods	Total store
	Percent of sales					
Labor	11.51	15.58	6.92	8.78	10.91	8.94
Packaging	1.72	.31	.31	.19	.80	.63
Repairs	.34	.96	.38	.30	.92	.43
Energy	.74	2.80	.27	.75	3.10	.73
Depreciation	.49	1.41	.56	.44	1.35	.63
Business taxes	.76	1.46	.50	.44	1.22	.64
Rent	1.01	2.88	1.15	.90	2.77	1.29
Interest	.13	.17	.08	.29	.05	.12
Advertising 3/	1.80	1.80	1.80	1.80	1.80	1.80
Other	1.68	2.38	.68	3.01	1.12	1.32
Profit before taxes	1.02	1.35	.62	2.31	.36	.94
Total	21.20	31.00	13.27	19.21	24.40	17.47

1/ In-store margins exclude warehousing and delivery costs and headquarters expense.
2/ Includes ice cream and other refrigerated items such as bakery products, fruit juices, and dips.
3/ Includes 0.05 cent for labor.

SUPPLIES AND PRICES OF BALING WIRE AND TWINE

By
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ABSTRACT

Hay production in 1974 may be affected by tight supplies of baling twine and wire. If supplies are available, demand for tying material would about equal 1973 levels. However, current indications point to reduced 1974 supplies of wire and possibly twine with supplier stocks from 1973 virtually exhausted. Wire prices have nearly doubled since 1973 and twine prices have nearly tripled.

Keywords: Baling wire, baling twine, supplies, prices.

Corn, wheat, soybeans and hay are the four most valuable U.S. crops. In 1973, the value of hay production was nearly $5.5 billion. About 90 percent of the hay crop is baled, the remainder being stored loose, chopped, or cubed.

Most bales are twine tied; less than 20 percent are wire tied. Bales that are moved long distances by rail or truck are usually wire tied. Those used on farms where produced or in nearby locations are usually twine tied. Twine is made from both synthetic and natural fibers. The synthetic twine and wire are more commonly used in the Southwest region due to the hauling distances and storage methods.

Straw baling is another important use of baling wire and twine. Baled straw is often used for livestock bedding and occasionally for feed.

Hay Production

The requirements for baling wire and twine will be affected by the size of the 1974 hay crop. In 1973 a record 134.6 million tons were produced, 5 percent above 1972 and 4 percent above 1971. Both acreage and yields were above the previous 2 years. The increased hay production occurred while production of major grains was also increasing.

Prices of major crops, including hay, are favorable compared with previous prices. Average price of all hay sold was $40.60 per ton in 1973, compared with $31.30 in 1972 and $28.10 in 1971. On April 15, 1974, the average price was $44.40 per ton compared with $33.90 a year earlier. Stocks of hay on May 1, 1974, were 25.4 million tons, up 5 percent from a year earlier. Assuming current price relationships between feed grains and hay continue and cattle numbers continue to climb, demand for hay is likely to remain strong.

The effect of shortages and higher prices of energy and fertilizer on hay production is difficult to assess, particularly at a time of above average grain prices. However, some of the released set-a-side acreage will likely be used for hay production. Yields may be adversely affected by rainfall shortages and reduced fertilizer application due to fertilizer shortages. However, overall production in 1974 is expected to be about equal to the 134.6 million tons produced in 1973. Prospective harvested acreage as of March 1 was 61.6 million compared with 62.2 million acres harvested in 1973.

The level of demand for twine and wire may be affected by continued adoption of "loose" hay handling equipment and large bale making equipment. However, the impact of these added machines will not significantly affect total demand for baling material in 1974.

Supply of Imported Twine

About 80 percent of the baling twine is imported, mainly from twine manufacturers in Europe and Mexico. Most of the twine is made from natural sisal or henequen fibers produced in Mexico, Brazil, Tanzania and other African nations. Much of the Brazilian and African fibers are shipped to Europe for processing.

Strong worldwide demand for sisal and henequen fibers as well as reduced supplies brought on by drought conditions in the past 2 years in portions of Africa have adversely affected agricultural twine production and helped spur increased prices. Mid-April 1974 European prices for Tanzanian Kenyan sisal fibers were about 2½ times those of a year earlier.

Sisal acreage in major African producing nations has been trending downward due to depressed prices in recent years, prolonged drought conditions and internal adjustments. However, in other countries, particularly Brazil production in the last 2 years has been increasing. Higher sisal/henequen fiber prices appear to have encouraged heavier cuttings than normal from plants which will tend to lower yields in later cuttings. Estimated world crops of sisal and henequen fibers are noted below. Preliminary production estimates for 1974 indicate a 2 percent decline from 1973.

World Production of Sisal and Henequen

Year	Sisal	Henequen	Total
	Million pounds	*Million pounds*	*Million pounds*
1960-64	1,420	361	1,781
1971	1,340	353	1,693
1972	1,400	357	1,757
1973	1,472	342	1,814

Source: Foreign Agricultural Service.

Rapid production response to recent higher prices is not likely since sisal and henequen plantings require 3 to 6 years to produce fiber for harvest. Past production cycles would suggest that increased plantings will be forthcoming, but these will not bolster fiber supplies for this year or next.

The amount of sisal and henequen fibers used for other commercial products besides farm twine is not available but improved economic conditions have likely stimulated demand for products made from these fibers. Reports also indicate increased demand for these fibers in the producing countries.

Another compounding factor has been the export policy changes in many fiber exporting nations, particularly in Africa. Greater emphasis has been placed on domestic manufacturing instead of shipping raw fiber to be manufactured elsewhere. European manufacturers have had difficulty obtaining fiber. Also, increased international shipping loads have resulted in late deliveries of sisal fiber to European manufacturers.

Twine imports by the United States for the year ended September 30, 1973, were 217 million pounds as compared with 247 million pounds a year earlier. Trade sources indicated that many manufacturers were limiting early season orders to 1973 import levels and some were even restricting orders to below 1973 purchase levels. However, imports for October 1973-March 1974 were up 20 percent from a year ago, totaling 144 million pounds.

Supply of Domestic Twine

One-fifth of our baling twine is produced domestically. About half is made from sisal fibers and the other half from synthetic fibers. The manufacturing of sisal twine in the United States is limited to one firm and its production is reported to be at capacity.

Synthetic baler twine is produced by a few additional firms, but the same extruders can produce commercial tying twine as well as baling twine for farm use. More favorable profit margins for commercial twine under Phase IV may have discouraged the expansion of farm twine production. Production of synthetic twine may be increased slightly in 1974 if manufacturers operate more shifts or work a longer work week. However, reports indicate at least one major manufacturer has reduced farm twine production in favor of non-farm twine production. New extruders and other necessary equipment require 12 to 18 months of lead time to be manufactured and brought on line. Rising production costs, low profit margins, and the uncertain availability of petroleum based raw materials have hindered the expansion of synthetic farm twine production capacity. Another factor is the concern over possible future low prices as sisal production expands.

Another problem with polypropolene synthetic twine relates to farmer acceptance. In the past, many farmers preferred the natural fiber, and prices of synthetic fiber twine were above natural fiber twine. Today, however, even with greatly increased petroleum prices, the synthetic fiber twine is less expensive.

Wire Supply

Imports of baling wire totaled about a third of domestic use in 1973. They have been declining over the past few years. The American Iron and Steel Institute estimates that imports of bale ties, a similar product, declined from 20,447 tons in 1971 to 16,808 tons in 1972, and 15,046 tons in 1973. Domestic shipments of baling wire and bale ties reported by the Department of Commerce amounted to 100,400 net tons in 1973 as compared with 101,800 tons in 1972.

Of particular concern has been the sharply curtailed domestic production during the latter part of 1973 and the first quarter of 1974. Phase IV price controls and tight worldwide steel supplies did not encourage larger domestic producers to take up the slack from reduced imports. The relaxation of price controls will probably lead to increased prices for wire but may stimulate greater production.

Good hay crops in the Southwest last summer resulted in wire shortages in several areas and this year many farmers have been trying to line up supplies for the entire season. Their inability to locate supplies is frequently reported.

Supply-Demand Imbalances and Prices

With hay production expected to be near the 1973 level, supplies of both wire and twine appear tight. Wire, in particular, may be in short supply since low baling wire margins and the strong demand for other steel products appear to have discouraged production.

It appears that early twine purchases or attempts to purchase by farmers, as well as nearly depleted stocks at the end of last year's hay season, have led importers to take shipments earlier than normal and make further attempts to locate twine sources. Baling twine imports between October 1973 and March 1974 were up 20 percent from the same period a year earlier. Much higher prices of twine and earlier shipments of stocks may have encouraged the manufacture of a greater amount of farm twine relative to other goods such as rope and hand bags. Nevertheless, twine imports during the normally heavy imports months of April, May and June will be critical in determining the extent of the supply-demand imbalance.

Twine supplies are still expected to be tight this season even though imports may increase and domestic production may be up slightly. The nearly depleted stocks of baling twine at the conclusion of last year's hay harvest was in sharp contrast to normal carryover stocks of about 20 to 25 percent of annual requirements.

Farm prices of twine and wire are sharply higher this year. One trade source indicated the announced price of Mexican twine to importers late in 1973 was $18 per bale compared with $4.80 two years earlier. The April 1974 price also was about $18. Another major distributor indicated contracted prices last fall were double those of a year earlier and current purchase prices have doubled again. These prices may discourage small importers from handling as much twine as last year.

April farm prices of a bale of natural fiber twine and a 100 pound box of wire averaged about $25 each. Farm twine last June was $8.96 per bale. The variability of wire and twine prices have been large this year due to tight and uncertain supplies, lower prices for domestically produced twine, particularly synthetic twine, and the widely different prices paid per bale by importers. Farmer demand for twine probably will not be affected much by these higher prices because twine is a small proportion of hay production costs. Assuming that sisal twine costs $25 per 40-pound bale and that a bale of twine is sufficient for 14 tons of hay, the cost of twine required to bale a ton of hay would amount to $1.80, or less than 5 cents per 55-pound bale of hay as compared with about 2 cents per bale in 1973.

The January price of imported wire at the dock and domestic wire made from imported wire rods at the mill was quoted at $20 to $25 per 100-pound box, about double last year's prices. Until this spring, steel mills producing wire from domestic wire rods had raised prices comparatively little above the $12 to $13 price of a year ago due to price controls. As a result, retail wire prices have varied widely. Typical imported wire may retail at about $30 per box while wire made from domestic sources may retail around $22. However, due to the tight supply some farmers have reported paying over $50 per box.

As a result of the termination of price controls, mill prices of baling wire are expected to rise and this may increase prices at the farm level in the months ahead. More stable prices of imported twine and hard fibers on world markets in recent months would suggest more stable twine prices at the farm level in the months ahead. However, import levels and hay crop conditions could influence prices later in the season.

Early stockpiling of twine and wire by farmers may accentuate shortages. On the other hand, fears of baling material shortages may encourage the growing of other crops where economically feasible. Also, attempts may be made to reduce twine use by making bigger bales and making round bales without twine.

MEASURING INCOME ORIGINATING IN MARKETING FOOD PRODUCTS

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ABSTRACT

Similar value added concepts and preliminary estimates of income originating in marketing U.S. farm food products are presented. Income originating in food marketing and farming together accounted for around 9 percent of national income originating in the business sector. These and related estimates of income originating in other sectors of the economy provide information to better evaluate income flows and equity issues.

Keywords: Income, marketing, value added.

The derivation of estimates of income originating in marketing would provide an essential component for linking the food marketing sector with the farming sector of the economy in a manner consistent with established national income and product accounting procedures. The linking of marketing statistics to farm income statistics would provide information to better analyze income flows and equity issues, and to compare income originating in the farming and food marketing sector with other sectors of the economy.

National income originating in farming is published annually by the Department of Commerce in the "National Income" issue of the *Survey of Current Business*. These estimates are derived from data compiled in ERS. Comparable data are not available for income originating in marketing. However, the contribution of food marketing to national income can be estimated from marketing bill estimates of food marketing charges published annually by ERS. This article reviews the similarity and uses of various measures of the contribution of food marketing to national income and output and presents preliminary estimates of income originating in food marketing. It is an attempt to apply value added and national income concepts to an economic sector that is a conglomeration of successive activities in different industries.

The marketing bill, as well as value added, gross product, and income originating are all slightly different measures of the economic contribution provided by a sector or industry. Estimates of value added, gross product, and income originating in marketing could be made, if complete data were available, by deducting various cost items from the marketing bill as outlined in the following figure.

Marketing bill for farm-originated food products sold to civilian consumers:
Less costs of:
(1) containers and packaging materials
(2) purchased fuel and electric power
(3) other materials (non-ingredient) and supplies
(4) for-hire transportation
Equals: value added by food marketing firms

Value added
Less costs of:
(1) services performed by other firms
Equals: gross product originating in food marketing

Gross product
Less:
(1) indirect business taxes and nontax liabilities
(2) depreciation and accidental damage to fixed capital
(3) business transfer payments
Equals: income originating in food marketing.

The U.S. Farm Food Marketing Bill is an estimate of the total cost of transporting, processing, and distributing farm-originated foods purchased by civilian consumers. It does not include the cost of

marketing food imports or exports. It is the difference between consumer expenditures and farm value and is more inclusive than other measures of the economic contribution of marketing to the economy. The marketing bill statistics show the distribution of consumer expenditures between the marketing system and farmers and the distribution of marketing costs among commodity groups, marketing agencies, and individual cost components such as labor, packaging, transportation, advertising, net interest, and depreciation.[1] This information is published annually in the August issue of the Marketing and Transportation Situation.

Value Added, as derived by the Bureau of the Census and published in the Census of Manufacturers, measures net output and includes labor compensation, profits, proprietors' income, indirect business taxes, purchased services, and capital consumption. Value added is published for each of the food processing industries. Value added for an industry is derived by substracting various costs from the value of products shipped and other receipts, adjusted for changes in inventories, and work in process. These deductions are costs of materials, supplies, purchased fuel and electric energy, and finished products purchased for resale.

Value added statistics are used as a measure of output. They are usually used as a measure of net output in measuring labor productivity. The exclusion of purchased materials, such as containers and packaging materials, avoids double counting in measuring net output of industries. Although this permits a comparison of the net output by food processors with other manufacturing industries such as the container industry, similar measures of output for service industries such as transportation, wholesaling, retail trade, and business services are generally not available for comparison using the same concept of value added.

Containers and packaging materials account for the largest of the costs that would have to be subtracted from the marketing bill to derive value added. Much of this cost is incurred by food manufacturing firms. Food marketing firms spent $9.4 billion for containers and packaging materials in 1973. The cost of containers and packaging materials is the second largest component in the marketing bill series.

Costs of purchased fuel, electric energy, and water make up another substantial deduction as well as costs of other materials and supplies, including costs of materials and parts required for maintenance work and minor repairs performed by the marketing firm's employees, cleaning materials, lubricants, and other goods. Data are not currently available for making this adjustment.

Costs of for-hire transportation of raw materials and finished food products must also be deducted in deriving value added from the marketing bill. However, costs of transportation performed by marketing firms with their own equipment and employees (private carriage) should not be deducted.[2] The Bureau of the Census does not directly substract charges for transportation since the value of shipments is usually f.o.b. the manufacturing establishment, and the deduction from cost of materials includes cost of delivering them to the establishment. The remainder obtained after subtracting the items described above would approximate value added in food marketing, according to the definition of value added used by the Bureau of Census.

The Census of Business provides data on value added by merchant wholesaling firms. The definition of value added is comparable to that of value added in manufacturing except for the treatment of excise taxes which are included in the value added by merchant wholesalers, but excluded in the value added by manufacturers. Value added data are not published in the *Census of Business* for food retailing and eating and drinking places.

Gross Product Originating in an industry, as used by the Bureau of Economic Analysis, Department of Commerce, is a measure of the industry's contribution to the Nation's total output of goods and services, or gross national product (GNP). These data are used to answer a wide range of questions concerning economic growth, and the impact of the current business situation. Value added as used in the national input-output tables is equivalent to gross product originating.

The gross product originating concept is more of a net concept than value added in the Census of Manufacturers. Several deductions of costs of purchased services have to be made from value added to derive the gross product arising from marketing farm-originated food products. The deductions would include costs of advertising and promotion, research and development, legal, accounting, maintenance, and other services performed by nonmarketing firms. Also included in the deduction would be rental payments for building and equipment.

Income Originating (GNP which can be attributed to a factor) is the income earned by labor, management, and capital employed in the industry. It could be derived by subtracting the following items from the gross product originating in the industry: (1)

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[1]For further information see, "Major Statistical Series of the U.S. Department of Agriculture" How They are Constructed and Used," Volume 4, Agricultural Marketing Costs and Charges, Agri. Handb. No. 365, U.S. Department of Agriculture.

[2]The transportation component of the marketing bill does not include local hauling charges.

depreciation and accidental damage to fixed capital assets, (2) business taxes such as property, excise, and sales tax and licenses and (3) business transfer payments such as contributions and bad debts.

Income originating in food marketing can be estimated with available data by adding the various types of factor incomes earned from participation in the marketing process (table 8). In 1972, income originating in marketing farm food products sold to civilian consumers totaled $42.1 billion, and income originating in farming totaled $28 billion. Together farming and marketing U.S. farm foods accounted for about 9 percent of the national income originating in business.

Table 8.--Income originating in marketing farm food products to civilian consumers, 1963, 1967, and 1972

Type of income	1963	1967	1972
	---------- Bil. dol. ----------		
Labor costs 1/	21.3	25.9	37.4
Income before taxes of corporate firms	2.4	3.4	3.4
Net interest payments	.3	.6	1.3
Total 2/	24.0	29.9	42.1

1/ Includes wages and salaries, fringe benefits, and imputed earnings of proprietors and unpaid family workers. Excludes institutional labor cost and tips which are not included in labor cost figures regularly published in the marketing bill series.

2/ Data for computing a comparable total for other years is published in the Marketing and Transportation Situation, MTS 190, ERS, U. S. Department of Agriculture, August 1973.

TRENDS IN PRICES AND MARKETING SPREADS FOR BEEF PORK AND

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ABSTRACT

Farm-retail spreads for beef and pork have widened substantially since price ceilings on meat were lifted last summer. In the first quarter of 1974, farm-retail spreads were up 11 cents per retail pound for beef and 15 cents per pound for pork from a year earlier. This increase was considerably greater than the average annual increase over the past 10 years. Most of the increase in the spread has been in the carcass or wholesale-retail component. Increases in price spreads have accompanied increases in costs of labor and other marketing services. Retail beef and pork prices were 16 to 17 cents per pound higher in the first quarter of 1974 than a year earlier, reflecting strong consumer demand and relatively tight supplies.

Keywords: Beef, pork, price-spreads, marketing costs.

Farm-retail spreads for beef and pork have widened substantially since price ceilings on beef were lifted in September of last year, raising questions regarding the circumstances and market conditions that accompanied this most recent increase in the long-term upward trend in margins. Farm-retail spreads for beef averaged 26 percent higher and pork 43 percent higher in the first 3 months of this year than a year earlier reflecting higher retail meat prices.

This article examines developments in farm-retail marketing spreads for beef and pork during the past year, as related to economic controls and changing costs for processing and distribution; and it compares these changes with trends since 1963 in marketing spreads and costs for beef and pork. It shows changes in seasonal patterns of farm-wholesale and wholesale-retail components of the price spreads for beef and pork. And it discusses problems in interpreting farm-wholesale and wholesale-retail spreads as they relate to individual stores, packers, processors, and retailers.

Farm-retail price spreads for beef and pork represent the differences between the average retail price per pound and the farm value of the quantity of live animals equivalent to 1 pound of retail cuts. They represent gross marketing charges incurred between livestock producers and the retail meat counter. Spreads change when livestock price and retail meat prices change by different amounts. Price spreads tend to widen over time as costs increase for shipping, processing, and retailing meats. In the short run, spreads generally fluctuate widening when livestock prices are falling and decreasing when livestock prices rise, because of time lags in retail price adjustments as the livestock and meat are traded and moved through the processing and distribution systems. Retail meat prices, farm livestock prices—and marketing spreads—fluctuate within years, due to seasonal and week-to-week changes in dressed meat production, and consumers' incomes and spending patterns. Marketing spreads may also fluctuate with changing weight and finish of livestock marketed and their yield of salable cuts.

Trends in Retail Prices and Farm Value

During 1963-73, retail beef prices rose 75 percent while pork prices nearly doubled. Pork retail prices increased relatively more than beef in 1971-73 because of 2 years of decreasing pork production. The 1963-73 increase in beef and pork retail prices accompanied a trend in rising per capita meat consumption, particularly for beef, reflecting strong consumer demand boosted by the near doubling of consumer disposable incomes (table 9).

Net farm values per retail pound of beef and pork have been more variable than retail prices in the past 10 years, contributing to considerable short-run fluctuations in marketing spreads. Annual changes in retail prices and net farm values reflect trends in demand, year-to-year changes in supply, and trends in marketing costs.

Annual and seasonal changes in supplies and prices of cattle differ from those for hogs. From 1963 to 1972, beef production followed a steady upward trend, and net farm value per retail pound ranged between 48.4 cents in 1963 and 72.5 cents in 1972 (table 10). In 1973, production dropped and the farm value of beef jumped to 90.1 cents. During the year, several factors reduced production of fed cattle and pushed prices up to record levels. The rate of weight gain was less than usual because of severe winter weather, excessively muddy lots in the spring, the ban on feeding DES, and changes in relative amounts of grain and supplement fed because of rapidly increasing feed costs. In addition, the announcement in July that beef price ceilings would be lifted in September, accompanied by the jump in hog prices when ceilings were lifted on pork, encouraged cattle feeders to hold back cattle nearing market weights for expected higher prices in September and generally slowed movements through feedlots.

Since 1963, hog production and the farm value of pork have fluctuated widely, following a long-term recurring cycle that averages about 4 years. Net farm value for pork moved irregularly upward between 26.8 cents in 1964 and 47.9 cents in 1972, then shot up to 71.8 cents last year as both pork and beef production declined. Hog marketings vary seasonally within a year more than beef, causing wider seasonal fluctuations in farm value.

Changes in farm values for meat animals tend to reflect both year-to-year trends and short-run changes in supply and demand conditions, and usually precede changes at retail by several weeks. Retail beef and pork prices usually show less month-to-month variability than live cattle and hog prices. While retailers special more meat cuts in some weeks in a month than others, especially when supplies are large, they attempt to follow relatively steady monthly pricing patterns, which result in smaller short-run changes in their margins.

Recent Changes in Farm-Retail Spreads

Ceiling price regulations on meat, imposed in March 1973, disrupted normal flows of livestock to feedlots and slaughter and contributed to the widespread meat shortages in late summer.

Marketing margins were squeezed during the freeze on retail prices, particularly in June and part of July for pork and through August for beef.

After price ceilings were lifted last summer allowing retail prices to rise as processors and retailers passed on increased costs, farm-retail spreads for beef and pork have widened substantially.

The farm-retail marketing spread for pork in the first quarter this year was about 15 cents per retail pound higher than a year ago. All of the increase occurred in the wholesale-retail margin. The farm-retail spread for beef rose nearly 11 cents per retail pound. Both the farm-carcass and the carcass-to-retail portions of the marketing spread widened substantially.

Two factors contributed to abruptly higher farm-retail spreads for beef and pork over the past year. First there were increases in labor and other costs to packers, processors, and retailers that could not be passed through until price ceilings were lifted. There was a decrease in percentage yield of retail beef cuts from the heavier cattle marketed after August. The wider spreads since fall of 1973 have provided some packers and retailers a chance to recoup earlier operating losses when margins were squeezed. Most of the recent rise in farm-retail spreads for beef and pork has occurred in the portion of the spread that covers wholesaling, delivery, and retailing operations.

Trends in Price Spreads and Marketing Costs

During 1963-73, farm-retail marketing spreads widened by about 50 percent for beef and a third for pork.

Spreads have tended to reach plateaus with little or no change for several years, followed by shifts upward to new levels, several cents per pound higher. This pattern is especially evident in the farm-retail price spread for pork. It varied between 28 and 29 cents per retail pound from 1963 to 1965, fluctuated around 32 cents during 1966-69, and then increased to around 38 cents in 1970-73. For beef, the annual average was 30 cents per pound in 1963, 28 to 30 cents during 1963-68, but then rose steadily—to 34 cents in 1969, 36 cents in 1971, and 45 cents in 1973.

Increases in price spreads for beef and pork have accompanied rising marketing costs (table 11). While the farm-retail spread increased over one-half for beef and about a third for pork between 1963 and 1973, hourly earnings for meat packings and meat processing employees rose by nearly two-thirds. Similarly, hourly earnings of food retailing employees rose 70 percent. Cost indexes of supplies and services bought by marketing firms were also up. Containers and packaging materials rose 27 percent; fuel, power and light rose 40 percent and rent, telephone, banking and other services rose 70 percent. Shipping and delivery costs have increased markedly the past 6 months, but data are not yet

Table 9.--Beef and pork retail prices and consumption, and personal disposable income, 1963-73

Year	Retail price		U. S. civilian consumption per capita (carcass weight)		Per capita personal disposable income
	Beef	Pork	Beef	Pork	
	Cents per pound		Pounds		Dollars
1963 ..	78.5	56.6	94.5	65.4	2,139
1964 ..	76.5	55.9	99.9	65.4	2,284
1965 ..	80.1	65.8	99.5	58.7	2,436
1966 ..	82.4	74.0	104.2	58.1	2,604
1967 ..	82.6	67.2	106.5	64.1	2,749
1968 ..	86.6	67.4	109.7	66.2	2,945
1969 ..	96.2	74.3	110.8	65.0	3,130
1970 ..	98.6	78.0	113.7	66.4	3,376
1971 ..	104.3	70.3	113.0	73.0	3,603
1972 ..	113.8	83.2	116.0	67.4	3,816
1973 ..	135.5	109.8	109.5	61.6	4,195

Table 10--Beef and Pork: Net farm value and commercial production, 1963-73

Year	Beef		Pork	
	Net farm value 1/	Commercial production	Net farm value 1/	Commercial production
	Cents 2/	Mil. lbs.	Cents 2/	Mil. lbs.
1963	48.4	16,049	27.4	11,863
1964	46.2	18,037	26.8	12,019
1965	51.8	18,325	38.1	10,736
1966	52.3	19,493	42.2	11,130
1967	53.0	19,991	34.8	12,377
1968	56.7	20,662	34.5	12,867
1969	62.2	20,960	42.3	12,774
1970	61.5	21,472	39.5	13,248
1971	67.9	21,697	32.3	14,606
1972	72.5	22,218	47.9	13,460
1973	90.1	21,060	71.8	12,581

1/ Payment to farmer for quantity of live animal equivalent to 1-pound of retail cuts--2.28 pounds of choice beef and 1.97 pounds of hog--less an allowance for byproducts.
2/ Per retail pound.

available as to the amount. Rail freight rates for dressed meats declined fron 1963 to 1967 but then increased 39 percent by 1973. In addition, food retailers report that local delivery costs to retail stores have increased substantially in recent years.

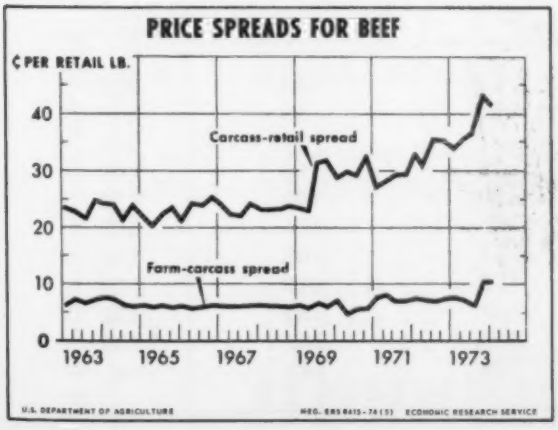
Quarterly variations in price spreads reflect, in part, the effects of price adjustments occasioned by seasonal changes in marketings of beef and pork and seasonal shifts in consumer demand. Additional fluctuations are due to lags in the timing of price adjustments at various market levels. The combined effects of all factors increasing costs, supply and demand shifts, and lags in price response are reflected in price spreads. Their individual effects are difficult to separate and analyze.

Farm-Carcass and Carcass-Retail Spreads for Beef

There are two major components of the farm-retail spread for beef; the farm-carcass spread and carcass-retail spread. The farm-carcass spread covers approximate costs of marketing and slaughtering operations, while the carcass-retail spread covers costs of breaking the carcass, transporting, local delivery, retail cutting and packaging, as well as other retailing costs.

The annual average farm-carcass spread for beef fluctuated narrowly between 6 and 7 cents per retail pound from 1963 until 1971 when it rose to 7.7 cents (table 12). Until the last quarter of 1973, it never exceeded 8 cents in any 3-month period.

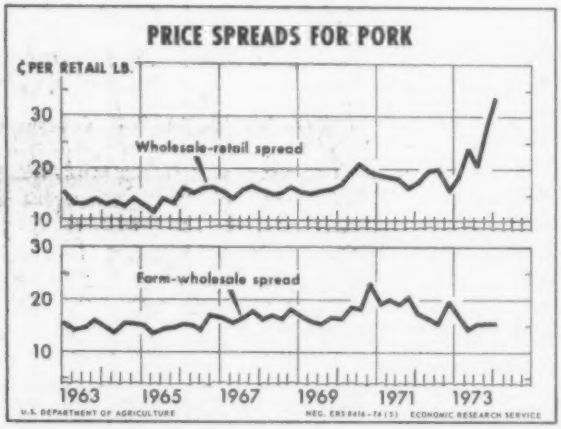
The carcass-retail spread for beef fluctuated around 23 cents per retail pound between 1963 and 1968. However, it rose sharply in 1969 to a higher plateau, reflecting changes in retailer pricing policies and rising marketing costs. It fluctuated narrowly in 1972 and early 1973, increased to 43 cents in the last quarter of 1973, and dropped to 41 cents in early 1974.



Farm-Wholesale and Wholesale-Retail Spreads for Pork

The farm-retail spread for pork is divided into the farm-wholesale spread and the wholesale-retail spread. The farm-wholesale spread covers approximate costs for marketing and slaughtering hogs, curing, smoking, and processing pork products, and shipping to major consuming centers. Between 1963 and 1971, the farm-wholesale spread for pork increased about 4 cents per retail pound but then it fell to the 1963-66 level the past year.

The wholesale-retail spread covers costs of local delivery to retail stores, and retailing, including some cutting and packaging in stores. It rose about 9 cents per retail pound between 1963 and 1973. Sharp increases in 1966, 1970, and again in 1973 accounted for nearly all the rise (table 13). In the last quarter of 1973 and first quarter of this year, it has been nearly double the level from 1963-69 and around 50 percent higher than in any previous period.



Interpreting Price Spreads

For pork, the farm-retail spread was divided about equally until 1973 into the farm-wholesale and wholesale-retail components. For beef, the farm-carcass spread is about one-fifth of the total farm-retail spread. These proportions diverge because of differences in the amount of processing before purchase by retailers. Most beef is purchased as carcasses or primals, which require further processing, but most pork is purchased as processed products.

For pork, the farm-wholesale spread can be interpreted as representing an approximate packer-processor margin and the wholesale-retail spread as representing delivery cost and retailer's margin. For beef, spreads cannot be interpreted to represent packers' or retailers' margins. Some of the breaking and processing is done by packers, some by retailers. Retailers report that their in-store margin is about

one-third less than the carcass-retail spread, mainly because the spread includes costs of breaking and cutting carcasses into subprimal cuts which is typically done before delivery to the retail store.

Farm-retail spreads include transportation between meat packers and major consuming centers, and a lesser amount for the cost to farmers for hauling and marketing their livestock. These costs have also increased in recent years. There has been considerable shifting in beef slaughter operations toward the West and Southwest in recent years. The longer distance shipments to consuming centers, coupled with additional labor costs for breaking and cutting the beef before delivery to retail stores, have narrowed retailer in-store margins. Additional studies are being made to measure the effects of these changes and other factors on beef and pork price spreads.

Table 11.--Beef and pork price spreads and selected marketing costs, 1963-73

Year	Farm-retail price spreads		Hourly earnings		
	Beef	Pork	Meat packing	Meat processing	Food retailing
	Cents	Cents	Dollars	Dollars	Dollars
1963	30.1	29.2	2.82	2.64	1.90
1964	30.3	29.1	2.91	2.72	1.98
1965	28.3	27.7	2.99	2.78	2.06
1966	30.1	31.8	3.09	2.88	2.13
1967	29.6	32.4	3.24	3.03	2.23
1968	29.9	32.9	3.45	3.22	2.38
1969	34.0	32.0	3.66	3.45	2.54
1970	37.1	38.5	3.98	3.65	2.70
1971	36.4	38.0	4.20	3.92	2.90
1972	41.3	35.3	4.47	4.24	3.09
1973	45.4	38.0	4.68	4.44	3.26

Year	Prices of supplies and services bought by marketing firms			Rail freight rates for:	
	Containers, packaging	Fuel, power and light	Rentals and services	Livestock	Dressed meats
	Index 1967 = 100				
1963	95	99	86	100	117
1964	96	98	88	99	113
1965	97	99	91	99	104
1966	99	99	95	99	100
1967	100	100	100	100	100
1968	100	99	106	104	103
1969	104	99	113	108	107
1970	108	108	120	119	117
1971	114	121	128	135	132
1972	117	126	138	140	136
1973	123	139	146	146	-

Table 12.--Price spreads for beef, quarterly, 1963-74

Year	Carcass-retail spread					Farm-carcass spread				
	I	II	III	IV	Annual average	I	II	III	IV	Annual average
	Cents per retail pound									
1963	23.2	23.1	21.7	24.7	23.2	6.5	7.2	6.8	7.2	6.9
1964	24.0	23.5	21.2	24.1	23.2	7.7	7.6	6.7	6.3	7.1
1965	21.9	20.2	22.7	23.7	22.1	6.4	6.1	6.4	6.0	6.2
1966	21.4	24.6	24.2	25.5	23.9	6.1	6.0	6.2	6.4	6.2
1967	24.1	22.4	22.1	24.3	23.2	6.3	6.4	6.3	6.5	6.4
1968	23.0	23.4	23.4	24.0	23.5	6.4	6.4	6.4	6.3	6.4
1969	23.9	23.1	31.2	31.9	27.5	6.4	6.1	6.9	6.3	6.5
1970	29.5	30.0	29.6	32.4	30.3	7.2	6.0	6.9	7.0	6.8
1971	27.4	28.5	29.3	29.2	28.7	7.9	8.1	7.5	7.5	7.7
1972	33.0	31.1	35.5	35.5	33.8	7.7	7.6	7.1	7.6	7.5
1973	34.2	35.8	36.4	43.1	37.4	7.6	7.1	6.4	11.1	8.0
1974	41.5					11.1				

Table 13.--Price spreads for pork, quarterly, 1963-74

Year	Wholesale-retail spread					Farm-wholesale spread				
	I	II	III	IV	Annual average	I	II	III	IV	Annual average
	Cents per retail pound									
1963	15.2	13.5	13.4	14.1	14.0	15.4	14.2	14.9	16.1	15.2
1964	13.6	13.9	13.0	14.3	13.7	15.9	14.8	15.5	15.5	15.4
1965	13.1	11.7	14.5	13.6	13.2	15.0	13.8	14.4	14.7	14.5
1966	16.3	15.6	16.3	16.5	16.1	15.4	15.3	14.7	17.3	15.7
1967	15.7	14.3	16.0	16.8	15.7	16.7	15.5	16.7	18.0	16.7
1968	16.0	15.1	15.6	16.4	15.7	16.7	17.0	16.7	18.3	17.2
1969	15.7	15.4	15.9	16.1	15.8	17.0	15.9	15.3	16.7	16.2
1970	17.1	19.4	21.0	19.8	19.3	16.6	18.7	18.3	23.1	19.2
1971	19.0	18.9	18.5	16.5	18.2	19.6	20.0	19.1	20.2	19.8
1972	17.7	18.9	19.0	16.2	18.0	17.5	16.7	15.5	19.8	17.3
1973	18.2	23.8	20.3	28.4	22.7	16.2	14.4	15.3	15.6	15.3
1974	33.4					15.5				

Table 14.--Farm food products: Retail price, farm value, byproduct allowance, farm-retail spread, and farmer's share of retail price, first quarter 1974.

Product	Farm equivalent	Retail unit	Retail price	Gross farm value	Byproduct allowance	Net farm value 1/	Farm-retail spread	Farmer's share
			Cents					Percent
Beef, Choice grade	2.28 lb. Choice cattle	Pound	145.1	101.9	9.4	92.5	52.6	64
Lamb, Choice grade	2.45 lb. lamb	Pound	136.3	93.4	12.5	80.7	55.6	59
Pork	1.97 lb. hog	Pound	115.2	74.1	7.8	66.3	48.9	58
Butter	Milk for butter	Pound	97.5	179.6	112.2	67.4	30.1	69
Cheese, American proc.	Milk for American cheese	½ pound	72.6	39.8	.8	39.0	33.6	54
Ice cream	Cream, milk, and sugar	½ gallon	100.8	-	-	40.4	60.4	40
Milk, evaporated	Milk for evaporating	14½-ounce can	26.7	-	-	14.9	11.8	56
Milk, fresh:								
Sold in stores	4.39 lb. Class I milk	½ gallon	77.5	-	-	42.6	34.9	55
Chicken, frying	1.41 lb. broiler	Pound	58.4	-	-	32.5	25.9	56
Turkey	1.28 lb. turkey	Pound	81.8	-	-	42.5	39.3	52
Eggs, Grade A Large	1.03 dozen	Dozen	91.0	-	-	64.2	26.8	71
Bread, white:								
All ingredients	U.S. farm ingredients	Pound	32.8	-	-	8.3	24.5	25
Wheat	.867 lb. wheat	Pound	-	7.3	.8	6.5	-	20
Bread, whole wheat	.708 lb. wheat	Pound	49.6	-	-	7.3	42.3	15
Cookies, sandwich	.528 lb. wheat	Pound	63.0	-	-	12.9	50.1	20
Corn flakes	2.87 lb. yellow corn	12 ounces	36.4	13.9	9.4	4.5	31.9	12
Flour, white	6.85 lb. wheat	5 pounds	101.9	59.9	7.3	52.6	49.3	52
Rice, long grain	1.59 lb. rough rice	Pound	51.5	26.5	2.3	24.2	27.3	47
Apples	1.04 lb. apples	Pound	32.2	-	-	10.9	21.3	34
Grapefruit	1.03 grapefruit	Each	18.2	-	-	3.5	14.7	19
Lemons	1.04 lb. lemons	Pound	41.8	-	-	11.6	30.2	28
Oranges	1.03 dozen oranges	Dozen	104.7	-	-	25.3	79.4	24
Cabbage	1.08 lb. cabbage	Pound	16.6	-	-	4.8	11.8	29
Carrots	1.03 lb. carrots	Pound	21.4	-	-	6.2	15.2	29
Celery	1.08 lb. celery	Pound	21.6	-	-	5.1	16.5	24
Cucumbers	1.09 lb. cucumbers	Pound	33.7	-	-	14.8	18.9	44
Lettuce	1.88 lb. lettuce	Head	34.2	-	-	11.0	23.2	32
Onions	1.06 lb. onions	Pound	23.6	-	-	9.5	14.1	40
Peppers, green	1.09 lb. peppers	Pound	56.6	-	-	16.1	40.5	28
Potatoes	10.42 lb. potatoes	10 pounds	163.9	-	-	63.0	100.9	38
Tomatoes	1.18 lb. tomatoes	Pound	58.8	-	-	20.6	38.2	35

Continued--

Table 14.--Farm food products: Retail price, farm value, byproduct allowance, farm-retail spread, and farmer's share of retail price, first quarter 1974.

Product	Farm equivalent	Retail unit	Retail price	Gross farm value	Byproduct allowance	Net farm value 1/	Farm-retail spread	Farmer's share
			Cents					Percent
Peaches, canned	1.52 lb. Calif. cling	No. 2½ can	46.3	-	-	7.3	39.0	16
Pears, canned	1.81 lb. pears for canning	No. 2½ can	59.8	-	-	12.3	47.5	21
Beets, canned	1.19 lb. beets for canning	No. 303 can	25.8	-	-	1.7	24.1	7
Corn, canned	2.25 lb. sweet corn	No. 303 can	26.3	-	-	3.1	23.2	12
Peas, canned	.725 lb. peas for canning	No. 303 can	28.7	-	-	4.2	24.5	15
Tomatoes, canned	1.515 lb. tomatoes for canning	No. 303 can	27.2	-	-	3.2	24.0	12
Lemonade, frozen	.834 lb. lemons for processing	6-ounce can	15.3	-	-	3.9	11.4	25
Orange juice, frozen	3.38 lb. oranges	6-ounce can	25.3	-	-	9.1	16.2	36
Potatoes, french fried, frozen	1.41 lb. potatoes	9 ounces	18.7	-	-	5.9	12.8	32
Peas, frozen	.68 lb. peas for canning	10 ounces	25.1	-	-	4.2	20.9	17
Beans, dried	1.04 lb. dry beans	Pound	65.8	-	-	41.9	23.9	64
Margarine	Soybeans, cottonseed, and milk	Pound	48.5	47.1	24.5	22.6	25.9	47
Peanut butter	1.21 lb. peanuts	12-ounce jar	55.8	-	-	20.0	35.8	36
Salad and cooking oil	Soybeans, cottonseed, and corn	24-oz. bottle	89.4	91.3	54.8	36.5	52.9	41
Vegetable shortening	Soybeans and cottonseed	3 pounds	141.7	166.7	88.1	78.6	63.1	55
Sugar	Sugar beets and cane	5 pounds	92.6	37.3	2.2	2/35.1	2/ 57.5	38
Spaghetti, canned	Wheat, tomatoes, cheese, and sugar	15½-ounce can	21.3	-	-	3.7	17.6	17

1/ Payment to farmers for equivalent quantities of farm products (gross farm value) minus imputed value of byproducts obtained in processing.

2/ Net farm value including Government payments to producers was 38.8 cents with a farmer's share of 42 percent. Farm-retail spread less Government processor tax was 54.8 cents.

Table 15.--Farm food products: Retail price, farm value, farm-retail spread, and farmer's share of retail price, first quarter 1974, fourth quarter 1973 and first quarter 1973.

Product 1/	Retail unit	Retail price			Farm value			Farm-retail spread			Farmer's share		
		I 1974	IV 1973	I 1973	I 1974	IV 1973	I 1973	I 1974	IV 1973	I 1973	I 1974	IV 1973	I 1973
		Cents									Percent		
Beef, Choice	Pound	145.1	135.1	129.2	92.5	80.9	87.4	52.6	54.2	41.8	64	60	68
Lamb, Choice	Pound	136.3	132.7	130.6	80.7	70.3	74.5	55.6	62.4	56.1	59	53	57
Pork	Pound	115.2	116.1	98.1	66.3	72.1	63.7	48.9	44.0	34.4	58	62	65
Butter	Pound	97.5	102.6	87.5	67.4	69.7	57.0	30.1	32.9	30.5	69	68	65
Cheese, American process	½ pound	72.6	66.2	56.4	39.0	36.0	25.9	33.6	30.2	30.5	54	54	46
Ice cream	½ gallon	100.8	98.3	86.9	40.4	38.8	30.0	60.4	59.5	56.9	40	39	35
Milk, evaporated	14½-ounce can	26.7	24.5	20.7	14.9	14.1	9.9	11.8	10.6	10.9	56	57	47
Milk, fresh:													
Sold in stores	½ gallon	77.5	72.9	61.5	42.6	38.4	31.7	34.9	34.5	29.8	55	53	52
Chicken, frying	Pound	58.4	55.3	49.9	32.5	30.0	28.3	25.9	25.3	21.6	56	54	57
Turkey	Pound	81.8	89.7	57.6	42.5	53.2	32.7	39.3	36.5	24.9	52	59	57
Eggs, large Grade A	Dozen	91.0	86.2	69.7	64.2	60.7	46.4	26.8	25.5	23.3	71	70	67
Bread, white:													
All ingredients	Pound	32.8	31.3	25.1	8.3	6.7	4.6	24.5	24.6	20.5	25	21	18
Wheat	Pound	-	-	-	6.5	5.1	3.4	-	-	-	20	16	14
Bread, whole wheat	Pound	49.6	47.3	40.4	7.3	6.1	4.1	42.3	41.2	36.3	15	13	10
Cookies, sandwich	Pound	63.0	60.6	56.4	12.9	10.7	7.0	50.1	49.9	49.4	20	18	12
Corn flakes	12 ounces	36.4	33.7	30.7	4.5	4.0	2.4	31.9	29.7	28.3	12	12	8
Flour, white	5 pounds	101.9	95.5	64.4	52.6	42.1	27.6	49.3	53.4	36.8	52	44	43
Rice, long grain	Pound	51.5	42.9	25.2	24.2	22.7	11.5	27.3	20.2	13.7	47	53	46
Apples	Pound	32.2	30.0	25.5	10.9	11.2	9.6	21.3	18.8	15.9	34	37	38
Grapefruit	Each	18.2	20.6	17.4	3.5	4.3	3.9	14.7	16.3	13.5	19	21	22
Lemons	Pound	41.8	42.8	35.7	11.6	13.1	10.4	30.2	29.7	25.3	28	31	29
Oranges	Dozen	104.7	113.6	98.0	25.3	24.2	21.5	79.4	89.4	76.5	24	21	22
Cabbage	Pound	16.6	17.6	15.8	4.8	5.3	5.5	11.8	12.3	10.3	29	30	35
Carrots	Pound	21.4	21.6	22.7	6.2	7.1	7.6	15.2	14.5	15.1	29	33	33
Celery	Pound	21.6	21.6	24.1	5.1	5.1	7.8	16.5	16.5	16.3	24	24	32
Cucumbers	Pound	33.7	30.1	37.0	14.8	11.0	17.1	18.9	19.1	19.9	44	37	46
Lettuce	Head	34.2	33.7	37.3	11.0	8.6	12.5	23.2	25.1	24.8	32	26	34
Onions	Pound	23.6	19.5	24.4	9.5	7.1	12.8	14.1	12.4	11.6	40	36	52
Peppers, green	Pound	56.6	53.1	53.7	16.1	22.3	19.1	40.5	30.8	34.6	28	42	36
Potatoes	10 pounds	163.9	129.6	111.2	63.0	34.2	34.8	100.9	95.4	76.4	38	26	31
Tomatoes	Pound	58.8	45.2	52.9	20.6	17.5	21.1	38.2	27.7	31.8	35	39	40

Continued--

Table 15.--Farm food products: Retail price, farm value, farm-retail spread, and farmer's share of retail price, first quarter 1974, fourth quarter 1973 and first quarter 1973.

Products	Retail unit	Retail price			Farm value			Farm-retail spread			Farmer's share		
		I 1974	IV 1973	I 1973	I 1974	IV 1973	I 1973	I 1974	IV 1973	I 1973	I 1974	IV 1973	I 1973
		Cents									Percent		
Peaches, canned	No. 2½ can	46.3	43.7	38.7	7.3	7.1	7.1	39.0	37.6	31.6	16	16	18
Pears, canned	No. 2½ can	59.8	58.1	55.1	12.3	12.1	12.1	47.5	46.0	43.9	21	21	22
Beets, canned	No. 303 can	25.8	25.1	22.0	1.7	1.7	1.4	24.1	23.4	20.6	7	7	6
Corn, canned	No. 303 can	26.3	25.6	24.4	3.1	3.1	2.8	23.2	22.5	21.6	12	12	11
Peas, canned	No. 303 can	28.7	27.8	26.5	4.2	4.2	4.1	24.5	23.6	22.4	15	15	15
Tomatoes, canned	No. 303 can	27.2	25.9	23.7	3.2	3.2	2.7	24.0	22.7	21.0	12	12	11
Lemonade, frozen	6-ounce can	15.3	15.0	14.6	3.9	3.7	3.8	11.4	11.3	10.8	25	25	26
Orange juice, frozen	6-ounce can	25.3	25.1	25.1	9.1	8.4	9.4	16.2	16.7	15.7	36	33	37
Potatoes, french fried, frozen	9 ounces	18.7	18.0	16.8	5.9	4.3	3.3	12.8	13.7	13.5	32	24	20
Peas, frozen	10 ounces	25.1	24.4	23.3	4.2	4.2	3.8	20.9	20.2	19.5	17	17	16
Beans, dried	Pound	65.8	44.7	25.8	41.9	28.8	9.6	23.9	15.9	16.2	64	64	37
Margarine	Pound	48.5	44.8	32.7	22.6	18.6	8.9	25.9	26.2	23.8	47	42	27
Peanut butter	12-ounce jar	55.8	54.7	51.2	20.0	19.8	17.2	35.8	34.9	34.0	36	36	34
Salad and cooking oil	24-oz. bottle	89.4	83.2	63.1	36.5	29.2	13.9	52.9	54.0	49.2	41	35	22
Vegetable shortening	3 pounds	141.7	134.3	96.7	78.6	64.4	31.7	63.1	69.9	65.0	55	48	33
Sugar	5 pounds	92.6	82.1	71.2	35.1	30.4	31.5	57.5	51.7	39.7	38	37	44
Spaghetti, canned	15½-oz. can	21.3	20.5	19.9	3.7	3.1	2.3	17.6	17.4	17.6	17	15	12

1/ Primary products in the farm-food market basket.
2/ Preliminary.

Table 16.--The market basket of farm foods by product group: Retail cost, farm value, farm-retail spread, and farmer's share of retail cost, quarterly, 1973 and 1974.

Item	1973 1/				1974 1/
	I	II	III	IV	I
	Dollars				
Retail cost					
Market basket	1413.83	1497.05	1603.67	1634.65	1720.02
Meat	477.90	507.99	559.87	547.65	560.36
Dairy	234.15	239.60	246.09	275.94	292.42
Poultry	59.90	70.25	89.02	69.33	72.30
Eggs	50.24	49.80	62.88	62.61	66.42
Bakery and cereal:					
All ingredients	195.73	203.51	211.45	243.40	259.45
Grain	-	-	-	-	-
Fresh fruits	60.62	66.58	71.55	68.70	68.61
Fresh vegetables	100.96	118.95	117.18	100.58	116.24
Proc. fruits and veg.	130.25	133.16	134.81	142.66	151.65
Fats and oils	44.55	46.58	49.61	59.35	63.65
Miscellaneous	59.53	60.63	61.21	64.43	68.92
Farm value					
Market basket	625.42	674.15	779.10	721.98	777.04
Meat	303.73	322.24	381.04	321.16	326.52
Dairy	112.82	114.69	124.24	143.64	156.27
Poultry	33.91	40.68	58.05	37.98	39.97
Eggs	33.45	33.25	46.23	44.13	46.85
Bakery and cereal:					
All ingredients	37.93	41.22	50.55	59.77	71.70
Grain	29.70	31.69	39.78	48.10	58.15
Fresh fruits	20.93	23.83	21.44	20.43	20.12
Fresh vegetables	36.18	46.43	40.09	30.31	40.42
Proc. fruits and veg.	24.35	24.76	25.73	28.38	32.16
Fats and oils	12.40	16.85	20.66	24.16	29.24
Miscellaneous	9.72	10.20	11.07	12.02	13.79
Farm-retail spread					
Market basket	788.41	822.90	824.57	912.67	942.98
Meat	174.17	185.75	178.83	226.49	233.84
Dairy	121.33	124.91	121.85	132.30	136.15
Poultry	25.99	29.57	30.97	31.35	32.33
Eggs	16.79	16.55	16.65	18.48	19.57
Bakery and cereal:					
All ingredients	157.80	162.29	160.90	183.63	187.75
Grain	-	-	-	-	-
Fresh fruits	39.69	42.75	50.11	48.27	48.49
Fresh vegetables	64.78	72.52	77.09	70.27	75.82
Proc. fruits and veg.	105.90	108.40	109.08	114.28	119.49
Fats and oils	32.15	29.73	28.95	35.19	34.41
Miscellaneous	49.81	50.43	50.14	52.41	55.13
Farmer's share					
	Percent				
Market basket	44.2	45.0	48.6	44.2	45.2
Meat	63.6	63.4	68.1	58.6	58.3
Dairy	48.2	47.9	50.5	52.0	53.4
Poultry	56.6	57.9	62.2	54.8	55.3
Eggs	66.6	66.8	73.5	70.5	70.5
Bakery and cereal:					
All ingredients	19.4	20.2	23.9	24.6	27.6
Grain	15.2	15.6	18.8	19.8	22.4
Fresh fruits	34.5	35.8	30.0	29.7	29.3
Fresh vegetables	35.8	39.0	34.2	30.1	34.8
Proc. fruits and veg.	18.7	18.6	19.1	19.9	21.2
Fats and oils	27.8	36.2	41.6	40.7	45.9
Miscellaneous	16.3	16.8	18.1	18.6	20.0

1/ Revised.

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